

nonregulated activities based on the ratio of the directly assigned and attributable costs". CC Docket 86-111, Report and Order, at paragraph 190. The audit team interprets this rule to mean that only the costs directly assigned and attributed, if any, to the various subsidiaries by the apportioning company should be included in the computation of the marketing allocator. The effect of SBC's misinterpretation of the rule was an additional allocation of \$30.2 million of marketing expenses to SWBT for the years 1989 - 1992. These expenses were then recorded in SWBT's books of record.

(c). Improper general allocator. In the development of the general allocator, SBC excludes the costs that it directly assigns to the stockholders. The audit team believes that this practice is contrary to regulatory costing standards (Section 64.901 Allocation of Costs), which require that the general allocator be computed by using the ratio of all expenses directly assigned or attributed to activities or subsidiaries, including costs assigned to the stockholders. The exclusion of the costs apportioned to the stockholders from the computation of the general allocator generated an additional \$62.2 million of costs allocated to SWBT for the years 1989 - 1992. These costs were then recorded in SWBT's books of record.

7. The audit team's conclusions related to AMI, totaling \$1.3 million, include:

(a). Office space leased to SWBT at more than prevailing market price. For the period 1989 - 1992, AMI leased office space to SWBT at three locations. At two of these locations, Pinehollow in Houston, Texas and Centerpoint in Arlington, Texas, AMI rented office space to SWBT at fully distributed cost (FDC) when a prevailing market price (PMP) rate had been established. At these two buildings, more than 40% of the total space was rented to nonaffiliated third parties at an average price per square foot lower than that charged to SWBT. This practice is contrary to the affiliate transactions rules which require that rates no greater than PMP be charged and recorded in SWBT's regulated accounts when a substantial third-party market exists. The audit team estimates the effect of this misinterpretation of the affiliate transactions rules to be higher rent charges to SWBT of approximately \$92,000 for the period 1989 - 1992.

(b). The cost of unoccupied rooms at the Hotel Majestic are charged to SWBT. SBC, the parent company, has an agreement with the Hotel Majestic, in which AMI has an ownership interest, whereby 40 rooms are reserved for 4 days a week for 42 weeks and an additional 10 rooms are reserved for 365 days for SBC's employees and guests at \$80 per day per room. In accordance with the terms of this agreement, SBC agrees to pay the charges for unoccupied reserved rooms. Instead, the Hotel Majestic bills SWBT monthly for unoccupied reserved rooms. These charges are then recorded by SWBT in Account 6720 General and Administrative. The audit team concludes that a portion of these charges could have been allocated by SBC to SWBT, but could not determine with specificity how much, because the Hotel Majestic was not able to provide information regarding the number of rooms rented by affiliates and SWBT. Overall, the audit team

determined that approximately \$776,000 in unoccupied room charges were billed to SWBT during the period 1989 - 1992.

(c). The cost of room rate differentials at the Hotel Majestic were charged to SWBT. When an SBC guest, who can be an employee of any affiliate of SBC, made the hotel reservations through Travel Services, which is a division of SWBT, the Hotel charged the SBC guest \$65 for weekdays and \$49 per day on weekends. The difference between the contract rate of \$80 and the amount paid was charged to Travel Services and booked in the regulated General and Administrative account. During the period 1989 - 1992, the audit team determined that approximately \$261,000 of these room rate differentials were charged to SWBT. However, these rate differential billings were discontinued in September 1993 during the audit team's review. The audit team could not determine with certainty how much of the above amount would have been appropriately charged to SWBT because, again, the records maintained by the Hotel Majestic did not provide for summaries of amounts charged to each affiliate.

(d). The weekend room rate charged at the Hotel Majestic is higher than prevailing market price (PMP). The prevailing weekend rate per room charged by the Hotel Majestic is \$49 per day. The rate charged for the 10 rooms which are also reserved for the weekend is \$80 per day. This practice is contrary to the affiliate transactions rules which require that SWBT record charges in its regulated accounts at no greater than PMP when a substantial third-party market exists. The maximum potential effect of SWBT recording charges in its regulated accounts in excess of PMP for weekend rates during 1989 - 1992 is approximately \$130,000.

8. In the course of this audit, the audit team noted another item unrelated to compliance with the affiliate transactions standards. During the later part of 1992 and early 1993, SBC corporate headquarters were relocated from St. Louis, Missouri to San Antonio, Texas. SBC booked a substantial accrual expense to cover the cost of this move, of which more than 50% was charged to SWBT and recorded by SWBT in its books of record. The reason given for this move was that SBC wanted to be closer to its growth market. As an example, Southwestern Bell Mobile Systems, Inc. (SBMS), the cellular communications company with headquarters in Dallas, Texas, is one of the fastest-growing subsidiaries of SBC. Also, Telefonos de Mexico (Telmex), in which SBC, together with two other partners, holds a controlling interest, is one of the world's fastest-growing telephone companies. Finally, the Texas telephone operations account for 60% of SWBT's business. The audit team deems that SBC has not provided adequate justification for these costs to be allowable and recoverable from the telephone ratepayers. Therefore, each jurisdiction may want to give further consideration to this matter.

9. The audit team also reviewed the allocations of costs by Southwestern Bell Technology Resources, Inc. (TRI) and the pricing of products sold and services rendered to SWBT by two other affiliates: Southwestern Bell Telecommunications, Inc. (Telecom),

and Southwestern Bell Mobile Systems, Inc. (SBMS). TRI provides, primarily, applications research to SWBT. During the period under review, substantially more than 50% of its total costs were billed to SWBT. Telecom sells telephone sets, data communications equipment, and related installation, repair and maintenance services to SWBT. During the period under review, a small amount of its total sales were to SWBT. SBMS sells cellular telephone service and products to SWBT. During the period under review, a very small amount of total SBMS revenue represented billings to SWBT. Based on the audit work performed, nothing came to the attention of the audit team that would indicate that the allocation of costs or the pricing and recording of the transactions charged by all three affiliates were not in compliance with the applicable affiliate transactions standards. Furthermore, nothing came to the attention of the audit team that would indicate that the telephone ratepayers have been adversely affected by transactions between these three affiliates and SWBT for noncompliance with these standards.

10. Overall, during the period 1989 - 1992, approximately \$880 million were billed by affiliates, excluding Bellcore, to SWBT. The majority of these billings came from SBC, Southwestern Bell Yellow Pages, Inc., and TRI. The affiliates selected for testing accounted for approximately 70% of total billings to SWBT in 1992. The audit team considered, but did not select for audit, the transactions with the yellow pages operations, because these transactions have been, are, or will be audited separately by the five state jurisdictions.

11. In addition, the audit team reviewed the pricing of the services rendered by SWBT to its affiliates. Excluding tariffed services and the services rendered to Bellcore, SWBT billed approximately \$129 million to its affiliates during the period under review. These services were primarily of an administrative nature. The audit team selected and tested the pricing of seven services which, together with the review of asset transfers, represented approximately 65% of the total amount billed to affiliates in 1992. Based on the audit work performed, nothing came to the attention of the audit team that would indicate that SWBT services provided to affiliates and assets transferred to affiliates were not accounted for in a manner consistent with the applicable FCC affiliate transactions standards. Furthermore, nothing came to the attention of the audit team that would indicate that the telephone ratepayers have been adversely affected by transactions between SWBT and affiliates for noncompliance with these standards.

12. In the selection of areas for audit, the audit team was careful as to not cause audit duplication and to employ its resources in the most efficient manner. The audit team excluded from the audit universe transactions with Bell Communications Research, Inc. (Bellcore). Bellcore is the central research organization of the seven regional Bell operating companies (RBOCs). SWBT owns one-seventh (1/7) of Bellcore. The audit team did not consider for audit the services rendered by Bellcore to SWBT, because these transactions were previously audited by a separate joint audit team. As a result of that audit, two reports were issued, one in October 1991 and the other in November 1992.

Services rendered by SWBT to Bellcore during the period 1989 - 1992 were \$62 million. The audit team also excluded these costs from its audit universe. The team saw minimal risk for subsidies as more than six-sevenths (6/7) of these costs would be recovered from the other regional telephone companies, which are not affiliated with SWBT. Therefore, the audit team viewed these transactions as having occurred at arm's length. Finally, the audit team excluded from its review tariffed services rendered by SWBT to affiliates, because SWBT treated affiliates no different than any other customer. Therefore, the audit team saw minimal opportunity for cross-subsidy to exist in this area.

ATTACHMENT 2

Max L. Lehw
State Director
Government Relations



1601 NW Expressway
Suite 1220
Oklahoma City, OK 73118
Phone (405) 848-8222

February 12, 1997

Attachment 2

Mr. Robert Stafford, Division Manager
Regulatory and Industry Relations
Southwestern Bell Telephone Co.
800 N. Harvey, Room 320
Oklahoma City, Oklahoma 73102

Dear Bob:

The Telecommunications Act of 1996 provides that a RBOC that is a local exchange carrier may not provide interLATA service or engage in manufacturing activities unless it provides that service through a separate affiliate that operates independently from the RBOC. See 47 U.S.C. 272. Section 272 establishes additional safeguard requirements that must be met by SWBT before SWBT, or more accurately its affiliate, is allowed to provide interLATA service.

Section 272 further provides that the separate affiliate must maintain separate books, records and accounts from SWBT, and that any transactions between the affiliate and SWBT must be "on an arm's length basis with any such transactions reduced to writing and available for public inspection." 47 U.S.C. 272(b)(5). Pursuant to section 272(b)(5), AT&T is hereby requesting access to the books, records and accounts of the SWBT affiliate established to provide interLATA service in Oklahoma and a copy of any transactions between the affiliate and SWBT in order to make the public inspection contemplated in section 272(b)(5) of the same. Please contact me no later than February 17, 1997 in order to arrange for either inspection or copying of the above-requested documents.

Thank you in advance for your cooperation in this matter. Please do not hesitate to contact me if you have any questions.

A large black rectangular redaction box covering the bottom portion of the letter.

ATTACHMENT 3

David Brown
Attorney

SBC Communications Inc.
175 E. Houston Street
12th Floor
San Antonio, Texas 78205
Phone 210 351-3478
Fax 210 351-3509



Attachment 3

February 28, 1997

Mr. Max L. Lehew
State Director
Government Relations
AT&T
1601 NW Expressway, Suite 1220
Oklahoma City, OK 73118

Re: Correspondence Requesting Information Related to Southwestern Bell Telephone
Company-Affiliated Section 272 Company or Companies

Dear Mr. Lehew:

Mr. Stafford has forwarded to me your correspondence of February 12, 1997 (the "Request"). This correspondence is intended to respond to your Request.

It is the consistent practice of Southwestern Bell Telephone Company ("SWBT") and, where required, its affiliates, to comply with all state and federal regulations. Consistent with that commitment to compliance, SWBT and its affiliates intend to comply with all state and federal regulations pertaining to information maintenance and disclosure under Section 272(b)(5) of the Telecommunications Act of 1996 (the "1996 Act") and the FCC's rules when providing high-quality, in-region originating, interLATA services in competition with established incumbents such as MCI, Sprint, and your company.

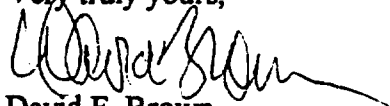
Your Request, however, is inconsistent with and unauthorized by the terms of the 1996 Act and the FCC's implementing regulations. As the FCC recognizes, and as you undoubtedly are aware, Section 272 of the 1996 Act and the FCC's rules apply only with respect to required separate affiliates. In addition, these statutory provisions and regulations provide access only to certain, limited categories of information.

Your Request, therefore, is at best premature, and in any event, over broad. First, the Request seeks information relating to an affiliate that is not yet required by the 1996 Act or FCC orders. Southwestern Bell Communications Services, Inc., d/b/a Southwestern Bell Long Distance ("SBLD"), an affiliate of SWBT which is expected to offer in-region originating, interLATA services, has not yet been authorized in any state to provide, and is not yet providing, such services. Second, the information that AT&T seeks, even if timely requested, is far more comprehensive than the FCC has authorized, required, or permitted. Neither SWBT nor SBLD, for instance, are required to make available for inspection the "books, records, or accounts" of SBLD. To the extent that the FCC rules permit access to information relating to transactions, this access is subject to protection of confidential and proprietary information. As a future direct competitor of SBLD, you undoubtedly understand the competitive sensitivity of such information

As of this date, there are no documents that meet the terms of your Request.

Thank you for your interest in this matter. Please be assured that SWBT and SBLD will continue to comply with all applicable statutes and regulations. If you have any questions or comments, please do not hesitate to call.

Very truly yours,

A handwritten signature in black ink, appearing to read "David F. Brown", with a long horizontal flourish extending to the right.

David F. Brown

Attorney

cc: Mr. Robert Stafford
Mr. Robert M. Lynch

ATTACHMENT 4

Oklahoma Cause No. 97-64
AT&T Communications of the Southwest, Inc.
Request for Information of 03/26/97
Data Request No. 1.8
Page 1 of 1

Request: Please describe and provide documentation of all transactions, agreements, and arrangements between SWBT and SBLD, including the description the subject of each (e.g. what was exchanged, provided, or agreed to), the financial terms of each (e.g. what consideration was exchanged, what expenses were shared), and a chronology for each identifying dates of agreement, implementation, and performance.

Response: The requested information is Highly Sensitive Confidential under the terms of the proprietary Agreement entered in this cause and must be handled in accordance with the terms of the agreement. The data will be made available for your review in Room 361, 800 N. Harvey, Oklahoma City at a mutually-determined time.

Resolved by stipulation during April 3, 1997, hearing.

Responsible Person: Kathleen Larkin
District Manager - State Regulatory
Southwestern Bell Telephone Company
One Bell Center
St. Louis, MO 63101

Lenoard Sgarlata
Corp Mgr - External Affairs
SBC
175 E. Houston 4-Q-05
San Antonio, TX



**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Application by SBC Communications, Inc.)	CC Docket
for Authorization Under Section 271 of)	No. 97-121
the Communications Act to Provide In-Region,)	
InterLATA Services in the State of Oklahoma)	

**AFFIDAVIT OF NANCY DALTON
ON BEHALF OF AT&T CORP.**

AT&T EXHIBIT D

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the matter of)	
)	
Application by SBC Communications, Inc.)	
for Authorization Under Section 271 of the)	CC Docket
Communications Act to Provide In-Region)	No. 97-121
InterLATA Service in the State of Oklahoma)	
_____)	

**AFFIDAVIT OF NANCY DALTON
ON BEHALF OF AT&T CORP.**

I. INTRODUCTION AND QUALIFICATIONS

1. My name is Nancy Dalton. My business address is 5501 LBJ Freeway, Dallas, Texas. I am Southwest Region Business Planning Vice President for AT&T Corp. ("AT&T"). In this position, I have responsibility for business planning for local service market entry and for negotiations with incumbent Local Exchange Carriers ("LECs") to facilitate such market entry. I am the lead negotiator on behalf of AT&T with Southwestern Bell Telephone Company ("SWBT"), and I have overall management responsibility for the SWBT negotiations. Among the matters I have personally focused on in these negotiations is ensuring SWBT's provision to AT&T of reasonable and adequate electronic interfaces for Operations Support Systems ("OSS") throughout SWBT's five-state region.

2. I attended and graduated from the Burdett School, a business school in Boston, Massachusetts.

3. Since joining AT&T in 1984, I have held positions in Business Communications Services ("BCS"), with responsibility for handling customer inquiries (e.g.,

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AFFIDAVIT OF NANCY DALTON

billing); BCS, with responsibility for developing customer service methods and procedures; Network Services, with responsibility as a project manager for AT&T network-related billing conversions required to convert specific functions from LECs to AT&T; Consumer Communications Services ("CCS"), with responsibility as a project manager for billing processes for AT&T calling-card and operator-handled calls (e.g., usage recording, rating, message processing, bill calculation, bill rendering, payment processing, customer service, collections, and journalization); CCS, with responsibility for the AT&T Baldrige Application research and site visit teams; and the Consumer Communications Local Services Organization, with responsibility for local market entry planning. In March 1996, I accepted my current position in the Local Services Organization, where I am responsible for Southwest Region business planning and negotiations.

4. I have testified on behalf of AT&T in recent local service arbitrations, as well as before the Oklahoma Corporation Commission ("Oklahoma commission") on April 15, 1997, regarding OSS issues in connection with SWBT's current application for Section 271 interLATA authority.

II. PURPOSE AND SUMMARY OF AFFIDAVIT

5. The purpose of this Affidavit is to discuss SWBT's assertion that it has met the requirements of Sections 251 and 271 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 ("Act"), with respect to OSS.

6. SWBT has failed to meet the statutory requirements for the provision of nondiscriminatory electronic access to its OSS, both as regards its existing interconnection agreements and negotiation of an interconnection agreement with AT&T, and as regards its

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SGAT. As SWBT affiant Elizabeth Ham has acknowledged, SWBT is obligated to provide competitive local exchange carriers ("CLECs") with "at least equivalent electronic access" to its OSS.¹ This means that the OSS access provided to CLECs by SWBT must be at least "the same" as,² or "equal to,"³ the OSS access that SWBT provides to its own customer service representatives in terms of timeliness, accuracy, and reliability. SWBT's failure to comply with these standards is very troubling, because proper implementation of nondiscriminatory OSS access is a key component of the ability of AT&T, or any other CLEC, to enter into a given local market in a manner that genuinely enables the CLEC to compete with the incumbent LEC. It is no exaggeration to say that electronic access to SWBT's OSS for pre-ordering, ordering, provisioning, repair and maintenance, and billing

¹ Affidavit of Elizabeth A. Ham (Tab 7), ¶¶ 4-5, 59, quoting Second Order on Reconsideration, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98 (released December 13, 1996) ("Second Order on Recon."), ¶ 9.

² First Report and Order, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98 (released August 8, 1996) ("Local Competition Order"), ¶ 523 ("the incumbent must provide the same access to competing providers" that it provides to its own customer service representatives); ¶ 316 ("the incumbent must provide access to [OSS] functions under the same terms and conditions that they provide services to themselves or their customers"); ¶ 518 (competing providers must be provided with the ability "to perform the functions of pre-ordering, ordering, provisioning, maintenance and repair, and billing for network elements and resale services in substantially the same time and manner that an incumbent can for itself") (emphasis added).

³ See id., ¶ 519 (generally relying upon state commission orders "ordering incumbent LECs to provide interfaces for [OSS] access equal to that the incumbent provides itself"); ¶ 315 (access must be provided on terms that are "equal to the terms and conditions under which the incumbent LEC provisions such elements to itself"); Second Order on Recon., ¶ 9 (OSS access must be "at least equivalent" or "equal to" the access that the incumbent LEC provides to itself) (emphasis added).

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AFFIDAVIT OF NANCY DALTON

functions at parity with SWBT will be a critical (if not the most critical) determinant of AT&T's and other new entrants' ability to provide effective local service competition.⁴ This is because CLECs need these systems in order to ensure that customers obtain the services they want, when they want them, with the quality they demand, and with timely and accurate billing for the services provided. Customer satisfaction on such matters is particularly important to new entrants trying to convince customers that switching from SWBT to a different local carrier will not be a "hassle" and will provide an overall service experience at least as good as the customers now experience with SWBT.

7. SWBT's proposed OSS interfaces are not yet ready to support local service market entry at reasonable volume levels such as those planned by AT&T and, presumably, other large CLECs as well. SWBT thus far has not even reached the stage of offering any interface specifications that would make it feasible for AT&T to offer local service by means of the unbundled network element ("UNE") platform (i.e., the combination of all network elements required to provide local service to customers) that was specifically authorized in the Act.⁵ Development of OSS interfaces for UNEs remains mired in the first

⁴ The Commission has found that nondiscriminatory access to OSS is "absolutely necessary" and indeed "critical." Local Competition Order, ¶ 521; Second Order on Recon., ¶ 11.

⁵ Paragraph 251(c)(3) of the Act states: "An incumbent local exchange carrier shall provide such unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service." This Commission's Local Competition Order further makes clear that incumbent LECs such as SWBT must provide unrestricted access to UNEs and combinations of UNEs. See Local Competition Order, ¶¶ 329, 331, 340, 536. As explained in the accompanying Affidavit of Robert Falcone and Steven Turner, the platform AT&T seeks to use would consist of the unbundled loop, network interconnect device, local switching, shared and dedicated transport, signaling and call-related databases, and tandem switching.

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of seven necessary work stages, as discussed below. As described more fully in the accompanying Affidavit of Rian Wren, SWBT's failure to provide OSS access for the UNE platform is simply one aspect of its overall strategy of trying to discourage use of the platform at every turn.

8. SWBT also has not yet provided nondiscriminatory OSS access for resold services. As discussed in detail below, AT&T and SWBT have agreed to use a specific set of electronic interfaces in order to achieve nondiscriminatory OSS access, including DataGate for pre-ordering functions and Electronic Data Interchange ("EDI") for ordering and provisioning. However, SWBT will not have these interfaces available as agreed. Therefore, in order to avoid further delays before it can offer local exchange service to residential customers, AT&T has had to agree, as a temporary and inadequate alternative to such nondiscriminatory OSS access, to use certain proprietary SWBT systems -- such as the Consumer Easy Access Sales Environment ("C-EASE") system for pre-ordering, ordering, and provisioning -- to obtain limited access to essential OSS functions. However, these internal SWBT systems have inherent deficiencies such that they will not provide AT&T's customer service representatives with the same timeliness, accuracy, or reliability that SWBT's own representatives will receive. Moreover, as regards the interfaces that AT&T believes have the potential to provide parity OSS access -- and that SWBT has agreed to provide -- key development issues are still being negotiated, and SWBT is still in the process of clarifying and supplementing its own interface specifications. Also, testing of the critical pre-ordering, ordering, and provisioning interfaces (including the stop-gap C-EASE system) has not been completed, and therefore AT&T cannot yet advise this Commission on

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the adequacy of the test results. Once such results are obtained, SWBT and AT&T will need to work jointly to address any problems that are revealed, before these interfaces can be implemented in the marketplace. In sum, SWBT is far from being able to provide CLECs with reliable and nondiscriminatory electronic access to its OSS capabilities.

III. PROVISION OF OPERATIONS SUPPORT SYSTEMS IS NOT COMPLETE.

A. Full, Efficient, and Effective OSS Interfaces Are Essential To All CLECs Both For Resale And For The UNE Platform

9. Operations support systems are the computer-based systems and databases that telecommunications carriers use for a number of vital customer-oriented and business-support functions. These systems support a variety of carrier interactions with customers, including:

- pre-ordering activities, such as determining a customer's existing service, verifying the customer service address, determining services and features or UNEs available to the customer at that address, assigning telephone numbers, establishing a due date for service installation, scheduling a dispatch when necessary, and determining the long-distance carrier choices available for the customer's address;
- ordering activities, such as determining what services and features or UNEs a customer wants, understanding how the customer wants his or her directory listing to appear in the directory assistance bureaus and white pages, subscribing the customer to a long-distance carrier, and defining customer blocking requirements (e.g., 900, collect, etc.);

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- provisioning of service, i.e., actually installing new services or UNEs or changing competitive local exchange carriers;
- repair and maintenance activities, including processing of acknowledgments and status reports; and
- billing, including processing of acknowledgments and status reports as well as claims and adjustments.⁶

OSS also provide the information and data used by a carrier to provide and maintain service. Thus, the availability, accuracy, timeliness, and completeness of information used and maintained by OSS are critical to any carrier's efforts to satisfy customers.

10. Because reliable OSS functions are essential to providing and maintaining service to end users, these systems are extremely important to AT&T. As a new competitor in the local exchange markets, AT&T must provide customers with a positive experience. OSS that are unreliable in terms of responsiveness or accuracy will undermine AT&T's best efforts to ensure that customers promptly receive the services they request, and thus will inevitably breed customer dissatisfaction. Accordingly, no carrier competing with meaningful volumes, including AT&T, can afford to conduct its business effectively or efficiently unless incumbent LECs provide error-free and well-designed electronic interfaces to their OSS. Customers will be dealing directly with AT&T for services (and receiving AT&T bills), and therefore AT&T must provide assured and consistent service quality sufficient to meet customers' expectations.

⁶ See Local Competition Order, ¶ 514 & nn. 1244-47.

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11. The need for nondiscriminatory access to SWBT's OSS on the part of carriers such as AT&T seeking to provide local service to large volumes of existing and new customers is especially acute. Other CLECs entering SWBT's local markets on a more limited or narrowly-focused basis have few or no existing customers, and thus no immediate need to meet the demands of large numbers of customers with high-quality services. Such CLECs typically have the option of entering local markets without first having to develop advanced electronic interfaces for nondiscriminatory OSS access. In contrast, a carrier such as AT&T has a large pre-existing customer base that is already being served through use of advanced OSS. In order to maintain its reputation for high-quality service, AT&T must be prepared from the outset to serve large numbers of local customers and to process orders of all levels of complexity.

12. AT&T and other CLECs entering SWBT's local markets on a large scale will be utterly dependent upon their ability to obtain local services and UNEs efficiently from SWBT. This in turn will depend on the efficient exchange of data between AT&T and SWBT relating to all five of the basic OSS functions identified above. For example, even "as is" migrations of SWBT customers to AT&T may be impeded if AT&T is unable to obtain information efficiently from SWBT regarding the services or features those customers are receiving from SWBT. Similarly, AT&T's ability to process orders may be hindered if, for example, it is unable to validate addresses, obtain information on available services, features, or telephone numbers, or find out when any necessary dispatches of service personnel to customers' premises can be scheduled. In short, because so much of the information required by competitors resides exclusively within SWBT's systems, SWBT is in

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a unique position to control the ability of potential rivals to enter its local service markets and become effective competitors. Moreover, as discussed below, SWBT has not extended to AT&T the degree of cooperation that would be typical of a relationship in which both parties have incentives to work together. Instead, the assistance SWBT has provided to date has been insufficient to permit AT&T, or other CLECs, to gain access to SWBT's OSS at parity with what SWBT now enjoys for the support of its own retail customers.

13. If SWBT does not implement appropriate electronic interfaces that CLECs can use effectively to gain access on a parity basis to SWBT's OSS, then SWBT's superior ability to use those systems to perform the pre-ordering, ordering, provisioning, repair, maintenance, and billing functions that are essential to serving local customers will be as formidable an obstacle to entry as SWBT's bottleneck control over the local networks themselves. Simply put, as long as SWBT is allowed to make it more difficult for customers to order and receive service from CLECs than from SWBT, those other carriers can never become viable competitors in the local exchange markets.

B. The Necessary Elements of OSS Access

14. AT&T, like all CLECs, needs its OSS to be able to communicate with the incumbent LEC's OSS, whether AT&T is reselling the incumbent LEC's services or instead using UNEs. AT&T will communicate with the systems of the incumbent LEC through electronic "interfaces" and "gateways."

15. An "interface" is a pathway that provides access to information or functions maintained in a system or database. An interface can be used to deliver information from a system or database to another system or system user. Key OSS

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AFFIDAVIT OF NANCY DALTON

interfaces will provide AT&T access to SWBT's data sources, thus enabling AT&T to conduct pre-ordering discussions with customers and to handle ordering, provisioning, repair, maintenance, and billing functions that must be performed efficiently in order for AT&T to serve those customers. In the area of billing, operational interfaces must include local account maintenance, transfer of usage data needed for end-user and other carrier billing purposes, and supplier billing by SWBT, both for resold services and for UNEs.

16. As this Commission has recognized,⁷ OSS interfaces must be electronic if CLECs are to be competitive with SWBT in its local markets. Electronic interfaces are those that rely on computer and telecommunications technology to provide information. Such interfaces allow systems to interact without human involvement. For new entrants to compete with SWBT, they must be able to communicate on a "real time" basis directly with SWBT's OSS, just as SWBT's own employees do in serving SWBT's customers. Electronic interfaces are necessary, among other things, to ensure that a CLEC's service intervals for items such as installation, repair, and maintenance are, at a minimum, the same as SWBT's; that the CLEC can promptly and reliably schedule repair visits, assign telephone numbers, and provide customers with other information; and that the CLEC is otherwise allowed to provide services that appear seamless to the end user.

17. A "gateway" is a programmed system that interprets the content of an electronic message and directs the message to a particular database or processing location, depending on the message content. The gateway then serves as the ongoing electronic

⁷ Local Competition Order, ¶ 525.